VANCOUVER

CITY OF VANCOUVER *2005 Annual Financial Report*

106-07051/

CITY OF VANCOUVER

BRITISH COLUMBIA

ANNUAL FINANCIAL REPORT

2005

TABLE OF CONTENTS

Mayor and Council 1

Officials 2

Boards 3

Financial Statements

- Report of the Director of Finance 4
- Auditors' Report 9
- Consolidated Statement of Financial Position 10
- Consolidated Statement of Financial Activities 11
- Consolidated Statement of Cash Flows 12
- Notes to Consolidated Financial Statements 13
- Auditors' Report 22
- Schedules of Financial Activities
  - Revenue Fund 23
  - Capital Fund 24
  - Capital Financing Fund 25
  - Sinking Fund 26
  - Property Endowment Fund 27
  - Utilities 28
- Supplementary Financial Information 29

Vancouver City Council

Mayor Sam Sullivan

Suzanne Anton

Elizabeth Ball

David Cadman

Kim Capri

George Chow

Heather Deal

Peter Ladner

B.C. Lee

Raymond Louie

Tim Stevenson

Corporate Management Team

City Manager	J. Rogers, M.P.A.
Deputy City Manager	B. MacGregor, P. Eng.
Chief Constable	J. Graham
Director of Legal Services	F. Connell, LL.B
City Librarian	P. Whitney, M.L.S.
General Manager of Community Services	J. Forbes-Roberts, B.A. Honours, B.Arch.
General Manager of Corporate Services	E. Lo, B. Comm, M.B.A., C.M.A.
General Manager of Engineering Services	T. Timm, P. Eng.
General Manager of Fire and Rescue Services	R. Holdgate
General Manager of Human Resource Services	M. Zora, B.Comm.
General Manager of Parks and Recreation	S.J. Mundick, B.R.I.S., R.D.M.R.
General Manager of Olympic Operations	D. Rudberg, P.Eng.

Financial Services

Director of Finance	E. Lo, B. Comm, M.B.A., C.M.A.
Director of Financial Services	T. Corrigan, C.A., M.P.A.
Director of Financial Planning and Treasury	K.B. Bayne, B.A., M.Sc. (Bus.)
Manager of Accounting Services	E. Lee, B. Comm, C.A.
Director of Budget Services	A. Klein, B.Comm, M.B.A.

City Clerk — S. Baxter, B.A.

City Auditor
KPMG $_{LLP}$, Chartered Accountants

Banker
Bank of Montreal

Agents - Worldwide
RBC Dominion Securities Inc.
CIBC World Markets Inc.

Fiscal Agent for Certain Functions
Relating to Eurobond Issues
Royal Bank of Canada, London

Relating to Book Entry Only Issues
Canadian Depository for Securities Ltd.

Vancouver Public Library Board

City Librarian – P. Whitney

J. Andersen – Chair
J. Buckberrough – Vice-Chair
S. Daub – Vice-Chair
C. Hansen, School Board Representative
H. Holden, Parks and Recreation Representative
Councillor E. Ball – Council Liaison

M. Feder
D. Foley
C. George
E. Kazemi
L. Kuehn
T. Tao
A. Zaenker

Vancouver Police Board

Chief Constable – J. Graham

Mayor S. Sullivan – Chair

L. Kennedy
M. McNeil
D. Parker
J. Pau
P. Webster
T. La Liberté

Vancouver Civic Theatres Board

Director – R. Ackerman
Directors Emeritus –N. Young
A. Jones – Chair
B. McLean – Vice-Chair
Councillor R. Louie – Council Liaison

M. Andrew
C. Davies
W. Saunders
G. Stamp

Board of Parks and Recreation

General Manager – S. Mundick

H. Holden – Chair
I. Robertson – Vice-Chair

K. Houghton
M. Zlotnik
A. De Genova
S. Herbert
L. Woodcock

Board of School Trustees for School District No. 39 (Vancouver)

Superintendent of Schools – C. Kelly
Secretary-Treasurer – B. Ng

K. Denike – Chair
D. Lee – Vice-Chair

A. Blakey
E. Gregory
S. Gregson
C. Gibson
C. Hansen
A. Wong
S. Wong

City Hall, Vancouver
April 11, 2006

Mayor S. Sullivan and
Members of Council

It is my pleasure to submit the Consolidated Financial Statements for the City of Vancouver for the year ended December 31, 2005. These financial statements include the financial position and results of operations of the City including its boards and City-owned/controlled corporations.

2005 Financial Highlights

The City continued to maintain a strong financial position in 2005:

- The cash position of the City, including temporary investments, increased to $790.6 million from $622.6 million at the end of 2004. The increase of $168.0 million (27.0%) was mainly due to the issuance of a $120 million City of Vancouver debenture in late 2005 and an increase in reserves for specific purposes by $51.1 million.
- Through tight fiscal control, the City was able to manage expenditures within the Operating Budget envelope ending the year with a surplus of $1.2 million.
- Expenditures on capital works totalled $156.6 million, compared to $127.2 million in 2004, a 23.1% increase due to major sewer projects (Canoe and China Creek basins), implementation of the automated garbage collection system and parks projects including the replacement of Killarney Pool.
- In October 2005, the City issued a $120 million 10-year serial debenture to finance the capital expenditure program. The cost to the City was 3.95%, the lowest financing cost completed by the City in over 20 years.
- Total debt outstanding at December 31, 2005 was $645.1 million (2004 - $552.5 million), of which $566.0 million was held externally; the balance of $79.1 million was held by the Sinking Fund. Of this internally held debt, $18.1 million is to be recovered from individual property owners through local improvement charges.
- Reserves set aside for specific purposes by Council increased during 2005 by $51.1 million to $294.8 million. There were major increases in the reserves for Olympic Village Trust of $28.5 million, Affordable Housing of $7.3 million, Future Revenue Fund Budgets of $4.5 million, and Water and Sewer Utility Rate Stabilization of $3.0 million.
- Funding of $2.9 million was provided for future payroll benefit obligations. To date, total funding of $17.2 million has been provided in reserves to meet increased employment related payments due to anticipated retirement of long term staff over the next 5 to 10 years.
- Solid waste landfill closure and post-closure costs increased by $2.5 million in 2005 bringing the total liability to $22.0 million (2004 - $19.5 million). The Solid Waste Capital Reserve balance at December 31, 2005 amounts to $62.6 million (2004 - $61.7 million).

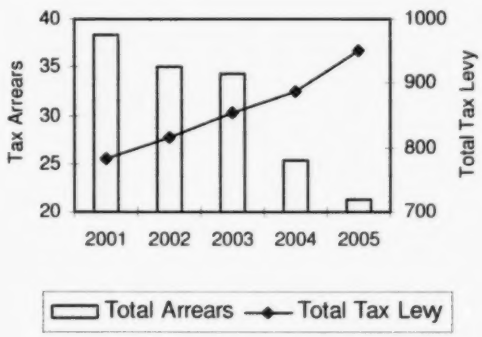
Property Tax Receivable

Property tax collection remained strong. As the chart shows, over the last five years, although tax levies have increased, the total tax arrears have continued to decline from over $38.3 million in 2001 to $21.3 million in 2005.

The collection of 2005 property taxes, including those amounts raised for other taxing authorities, amounted to $934.9 million, or 98.2% of the total 2005 property taxes levied. During the year, the City also collected $18.5 million (73.1%) of the $25.3 million property tax in arrears at the beginning of 2005.

At year end, tax prepayments were $31.6 million compared to $30.2 million at the end of 2004, an increase of 4.6%.

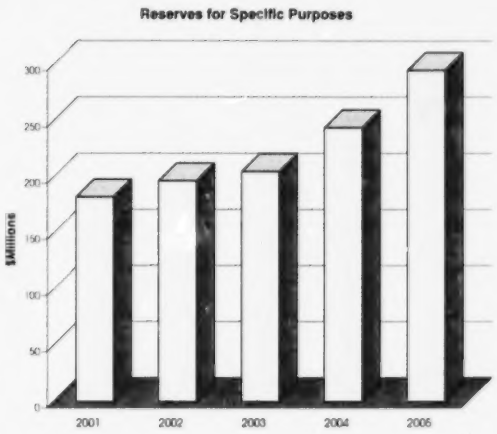
Tax Levy and Arrears ($Millions)



Reserves

Under legislative or Council authority, the City has established a number of specific purpose reserves. At the end of 2005, these reserves totalled $294.8 million, up $51.1 million over 2005 or a 21.0% increase. The most significant changes were:

- The City received $28.5 million from the Olympic Village Trust.
- Reserves for affordable housing received contributions of $7.3 million from major downtown rezonings.
- The Solid Waste Capital Reserve increased by $0.9 million to $62.6 million as a net result of surpluses from solid waste operations and interest of $3.6 million less expenditure of $3.3 million for automated garbage implementation. This reserve is being accumulated to fund closure and post-closure costs at the City's landfill.
- The Plant and Equipment Reserve which funds the long term equipment replacement plan decreased by $1.4 million to $27.4 million. The reserve is funded by internal equipment charges provided in the Operating Budget. The 2005 transfer to the reserve totalled $17.6 million. Actual expenditures drawn on the reserve were $19.0 million.
- The Sewer and Water Utility Rate Stabilization Reserves increased by $3.0 million to $26.6 million as a result of surpluses from operations.
- The Public Art Reserve increased by $2.3 million due to a major contribution for a downtown sculpture garden on Georgia Street.
- Capital Facilities Reserve decreased by $4.6 million to fund a variety of capital projects not funded in the Capital Plan, including purchase of property for the Urban Native Youth Centre and outfitting of facilities for expanded City services.
- Future Revenue Budgets Reserve increased by $4.5 million to provide funding for future payroll benefit obligations of $2.9 million and future debt charges of $2.6 million offset by expenditures of $1.3 million for the civic election.



Revenue Fund

The Revenue Fund accounts for the general operations for the City. Spending authority and control for the fund are provided by Council through the annual Operating Budget.

Revenues for the year totalled $850.3 million and expenditures, debt repayments and transfers amounted to $849.1 million, resulting in a Revenue Fund surplus of $1.2 million. The total fund balance of the Revenue Fund currently stands at $10.4 million, compared to $9.2 million in 2004.

Total operating revenues increased by $44.6 million from 2004 mainly due to:

- An increase in taxation revenue of $16.9 million or 3.6% from $465.4 million to $482.3 million. City Council approved a 2.99% increase in the property tax levy in 2005 generating $20.2 million in tax revenues, offset by a provision for pending tax appeals of $3.5 million.
- An increase in water utility user fees of $5.9 million (9.5%) following Council approval of a 6.5% increase to water rates reflecting an increase in regional water costs and higher metered consumption.
- An increase in solid waste utility user fees of $1.7 million (4.5%) due mainly to the higher volume of demolition material and general waste tonnage received at the transfer station and landfill site.
- An increase in sewer utility user fees of $1.2 million (3.5%) mainly related to increased metered consumption.
- An increase in revenue sharing grants and contributions of $3.0 million due to the City receiving more from the Provincial Government for Traffic Fines revenue.
- An increase in investment income of $1.4 million due to higher cash balances.

- An increase in other fees, rates and cost recoveries of $15.3 million due primarily to a combination of: increased revenues of $2.1 million from the on-street parking program due to a rate increase and improved compliance; an increase in bylaw fines by $1.0 million due to increased enforcement; $1.2 million in additional recoveries or funding for Community related planning and social programs; increased building permit and inspection fees of $2.1 million due to the high level of construction activity in the City; $2.6 million more in Engineering cost recoveries; an increase of $2.7 million in Secondment Recoveries due to a higher number of police officers being assigned to other agencies and a grant of $1.9 million received from a developer to fund the Georgia Street Public Art Endowment Fund.

Total operating expenditures amounted to $728.7 million, an increase of $32.0 million. This increase was primarily related to the wage and fringe benefit adjustments for employees which added approximately $12.3 million to the 2005 expenditures.

Other major areas of change in expenditures are:

- Increase in costs of $6.0 million due to provision for obligations to be funded from future revenues. This is comprised of $2.5 million increase in the accrual for the solid waste landfill site closure and post closure costs, $2.8 million increase in the accrual for future payroll benefit obligations and $0.7 million increase in accrued interest on long-term debt due to the debenture issue in 2005.
- Police expenditures increased by $3.0 million due primarily to an increase of 50 police officers and 57 civilians in 2005 at an approximate cost of $4.9 million. This was partially offset by lower overtime (regular and statutory) costs of $2.2 million due to increased staffing levels and improved monitoring by the Police Department.
- An increase of $2.9 million in the cost of water charged by the Greater Vancouver Water District which increased rates by 12%.
- A $1.5 million increase in the requisition from E-Comm for the provision of emergency radio and communication services.
- The cost of $1.3 million to the City for the civic election in November 2005.
- The implementation of the Sustainability and Climate Change Action Plan increased costs by $0.7 million.
- A net increase of $1.6 million for community and planning projects such as the Oakridge Center, False Creek Flats, East Fraser Lands Planning Study, Drug Policy Program and the Vancouver Agreement.
- An increase in Recreation and Parks costs of $0.5 million due to the reopening of the Renfrew Pool.
- An increase in the expenditures of Community and Cultural Services was primarily due to Council approving increases to Civic Grants of $2.3 million.

Capital Fund

The Capital Fund accounts for the City's capital expenditures and programs supporting civic infrastructure as well as the related financing. It also holds all properties required for civic use and the related long term debt. Spending authority and control are provided through the annual Capital Budget and the Three Year Capital Plan approved by Council.

The Capital Fund balance increased by $98.9 million bringing the total fund balance to $52.0 million (2004 – fund deficit of $46.9 million). The change is mainly due to:

- $110.2 million in revenue including a $28.5 contribution from the Olympic Village Trust, $20.9 million from the Province of British Columbia for various projects, $17.8 million in developer cost levy contributions, $10.2 million in water and sewer connection fees and $3.8 million for sale of Stainsbury Yard.
- $120.0 million debenture issue bringing total debt outstanding at year end to $645.1 million.
- $25.2 million net transfers from reserves and other funds, the most significant being the transfer from Revenue Fund Operating Budget to fund capital projects.

- $156.6 million capital expenditures which included:

	$ Million
• Streets, traffic and safety Traffic calming plans, streetlights, signals, sidewalks, Burrard Street Bridge seismic upgrade	37.1
• Main sewer construction and sewer abatement Cambie, China and Canoe Creek basin infrastructure projects	35.5
• Water works distribution system	20.7
• Vehicle and equipment purchases	19.2
• Parks, community centres, playing fields, ice rinks Killarney pool replacement, contribution to Vancouver Aquarium Discovery Centre	22.0
• Daycare, social housing and community services facilities Urban Native Youth centre site, neighbourhood houses	4.3
• Technology infrastructure Tax and utility billing system, software and hardware upgrades	5.8
• Construction and capital maintenance of City buildings and systems Civic Theaters upgrades, #1 Kingsway	4.9
• Vancouver Convention Centre Expansion Project Construction of Harbour Park parking structure	3.7
• Automated garbage containers	3.4

In November 2005, the electorate approved borrowing authority of $170.6 million to finance the maintenance and replacement of existing and construction of new streets, parks and facilities infrastructure as part of the 2006-2008 Capital Plan. Council has also indicated it will approve an additional $129.3 million in borrowing authority for sewer and water capital expenditures to complete that plan. These new borrowing authorities are in addition to approximately $19.5 million of general borrowing authority from the 2003-2005 Capital Plan that had not been exercised by Council through issuance of debentures.

Capital Financing Fund

The Capital Financing Fund (CFF) provides funds for the internal financing of capital projects and at year end the total amount advanced to the Capital Fund was $47.5 million. The interim financing will be repaid with interest from future operating savings or additional fees and service charges without impacting on the existing property taxation levels provided in the Operating Budget.

The CFF holds the City's Solid Waste Capital Reserve which accumulates funds to meet closure and post closure costs at the City's landfill site. At year end, the balance of the reserve was $62.6 million. The present liability is calculated based on the ratio of utilization to the total capacity of the landfill site and the discounted value of future estimated cash flows associated with closure and post-closure activities. At year end, the liability amounted to $22.0 million, with the remaining capacity of 19.0 million tonnes (57.5% of total capacity) to be utilized by 2042.

Sinking Fund

The Sinking Fund holds the accumulation of annual principal instalments collected through tax levies, together with interest earned to provide for the retirement of principal at maturity. As at December 31, 2005, the Sinking Fund reserve for debt retirement was $201.5 million.

The Sinking Fund held $79.1 million of City of Vancouver debentures at year end as investments. $33.6 million of the reserve for debt retirement relates to internally held debt, with the remaining $167.9 million reserve set aside for externally held debt.

Property Endowment Fund

The Property Endowment Fund (PEF) accounts for real estate properties not required for civic purposes including non-market housing sites, other residential and commercial properties and parking garages. The Fund is also a source of internal financing for civic projects.

The PEF fund balance at year end was $35.5 million, a decrease of $53.3 million from 2004 due mainly to significant capital expenditures. Net revenues from parking and property lease and rentals amounted to $17.0 million.

In 2005, PEF capital expenditures amounted to $64.8 million compared to $30.9 million in 2004. Of this amount, $19.2 million was spent on the acquisition of six properties for non-market housing, of which a major portion ($14.3 million) was funded from Development Cost Levies from the Capital Fund. $24.1 million was spent on the acquisition of an office building for the use by the Vancouver Organizing Committee for the Olympic Games (VANOC) and another $9.6 million was spent on properties for future strategic purposes such as assembly or development. $8.7 million was spent on the construction of the Granville Hotel, #1 Kingsway project and Southeast False Creek Olympic Village. During the year, the PEF sold 1 site which was surplus to the City's needs for $1.8 million.

During the year, the City accepted an assignment of lease of a non-profit housing site and assumed the related mortgage of $3.2 million. The City will receive lease payments from the tenants to pay the mortgage until such time as the lease and mortgage can be assigned to a new non-profit housing society.

On an annual basis, $7.0 million of the net revenue from operations is transferred to the Revenue Fund to support general operations. The PEF also financed $2.5 million of administrative expenses in the Operating Budget.

By the end of the year, the PEF had advanced $13.5 million to the Capital Fund as financing for specific capital projects approved by Council outside the 2003-2005 Capital Plan. The interim financing will be repaid with interest from future operating savings, additional fees and service charges and within the existing property taxation level provided in the Operating Budget.

Future Accounting and Reporting Changes

As mentioned in the 2004 Annual Report, the Public Sector Accounting Board (PSAB) has been developing new standards for the accounting and reporting of capital assets. In March 2006 an Exposure Draft has been released recommending implementation of new principles by fiscal 2009. The principles that represent a major departure from the current accounting policies of the City include:

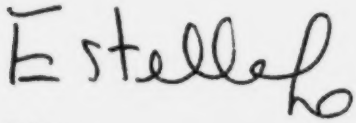
- capital assets should be reported on the statement of financial position at amortized historical cost
- capital assets should be depreciated on the statement of operations.

The changes will include a reduction in the carrying value of land (from BC Assessment values to historical cost) and the recording of depreciation of capital assets. Staff will be assessing the impact of these changes on the way the City's financial position will be presented on the financial statements.

Conclusion

The City of Vancouver has continued to maintain a strong financial position going into 2006. The financial strength of the City reflects the careful attention to prudent financial management provided by Council and staff.

Respectfully submitted,



Estelle Lo
Director of Finance

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

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Fax (604) 691-3031
Internet www.kpmg.ca

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have audited the consolidated statement of financial position of the City of Vancouver (the "City") as at December 31, 2005 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Vancouver Charter, we report that, in our opinion, these principles have been applied, to the consolidated financial statements, on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Vancouver, Canada

March 31, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative

CITY OF VANCOUVER
Consolidated Statement of Financial Position
As at December 31
($000s)

	2005	2004 Restated Note 5
FINANCIAL ASSETS		
Cash (Note 2)	$ 70,157	$ 66,638
Temporary investments (Note 2)	720,430	555,974
Accounts receivable and accrued interest (Note 3)	64,813	50,095
Local improvement receivable	16,375	18,614
Property taxes receivable	12,391	19,890
Lease agreement receivable (Note 10(f))	51,581	53,171
	935,747	764,382
PHYSICAL ASSETS		
Inventory	12,159	12,091
Capital assets (Note 4)	8,180,974	7,274,586
	8,193,133	7,286,677
	$ 9,128,880	$ 8,051,059
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	$ 251,371	$ 225,233
Mortgage and loan agreements (Note 10(f))	70,235	68,493
Long term debt (Note 6)	566,026	472,332
Deferred income	53,250	43,431
	940,882	809,489
MUNICIPAL EQUITY		
Equity in capital assets (Note 5)	7,597,434	6,786,453
Reserve for debt retirement (Note 6)	167,864	139,630
Reserves (Note 7)	294,826	243,754
Fund balances (Note 8)	234,692	172,530
Obligations to be funded from future revenue (Note 9)	(106,818)	(100,797)
	8,187,998	7,241,570
	$ 9,128,880	$ 8,051,059

Contingencies and commitments (Note 10)
See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Financial Activities
Years Ended December 31
($000s)

	2005	2004 Restated Note 5
REVENUE		
Property taxes, penalties and interest	$ 482,323	$ 465,447
Water fees	67,262	61,412
Solid waste fees	38,629	36,970
Sewer fees	34,103	32,951
Other fees, rates and cost recoveries	315,923	262,039
Revenue sharing, grants and contributions	46,143	14,781
Investment income	23,770	21,470
Rental and lease income	37,959	37,782
Sale of property	5,967	17,722
	1,052,079	950,574
EXPENDITURES		
General government	174,586	131,715
Police protection	165,336	158,412
Fire protection	79,030	75,744
Engineering	109,424	109,949
Water utility	67,362	62,338
Solid waste	46,457	37,792
Sewer utility	83,914	72,417
Planning and development	61,528	58,725
Recreation and parks	151,082	139,740
Community and cultural services	73,351	66,629
	1,012,070	913,461
NET REVENUE	40,009	37,113
DEBT, TRANSFERS AND OTHER		
Debt		
Principal repayments	(29,165)	(26,111)
New issues	124,601	103,903
Net transfers to reserves	(79,305)	(65,355)
Change in obligations to be funded from future revenue	6,022	14,292
	22,153	26,729
CHANGE IN FUND BALANCES	62,162	63,842
FUND BALANCES (Note 8)		
Beginning of year	172,530	108,688
End of year	$ 234,692	$ 172,530

See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Cash Flows
Years Ended December 31
($000s)

	2005	2004
CASH PROVIDED BY (USED IN):		
Operations		
Net revenue	$ 40,009	$ 37,113
Change in non-cash items	32,530	34,222
	72,539	71,335
Financing		
Debt issued	124,601	103,903
Debt repayments	(29,165)	(26,111)
	95,436	77,792
Investing		
Net purchase of temporary investments	(164,456)	(119,308)
NET INCREASE IN CASH	3,519	29,819
CASH		
Beginning of year	66,638	36,819
End of year	$ 70,157	$ 66,638

See accompanying Notes to Consolidated Financial Statements.

The City of Vancouver was incorporated in 1886 and is governed by the Vancouver Charter, a private bill consented to by the Legislative Assembly of the Province of British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements of the City have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

(b) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures, and changes in fund balances of all funds of the reporting entity. The reporting entity is comprised of all the organizations that are accountable for the administration of their financial affairs and resources to Council and that are owned or controlled by the City. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

Outside Boards

Parks & Recreation	Vancouver Police
Vancouver Public Library	Vancouver Civic Theatres

Owned/Controlled Entities

Hastings Institute Inc.	Vancouver Civic Development Corporation
Harbour Park Development Ltd.	City of Vancouver Public Housing Corporation
Parking Corporation of Vancouver	Pacific National Exhibition

Also included in these statements are certain assets owned by the City that are managed by the following organizations:

Vancouver Art Gallery Society	H.R. MacMillan Space Centre
Vancouver Museum	Vancouver Maritime Museum

(c) Fund Accounting

The resources and operations of the City are comprised of the funds listed below. Supporting schedules to the consolidated financial statements are included to show the financial activities and balance of each fund.

Capital

Accounts for capital expenditures supporting civic infrastructure and holds all properties required for civic use and the related long term debt.

Revenue

Accounts for revenue and expenditures for the general operations of the City including sewer, solid waste and water utilities.

Property Endowment

Accounts for properties not required for civic use which are leased to third parties, or held for, or are being developed for resale or lease.

Sinking

Accounts for the accumulation of installments generated from tax levies in accordance with the actuarial requirements for the retirement of sinking fund debt at maturity.

Capital Financing

Accounts for funds designated for the financing of capital works, for the acquisition of the City's debentures and for funds set aside for the City's solid waste disposal program.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Basis of Accounting

(i) Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds.

(ii) Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred.

(iii) Inventory of supplies and materials are valued at cost with allowances made for obsolete stock. Cost is determined on a moving average basis.

(iv) The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenditures during the reporting period. Actual results will depend on future economic events and could differ from the estimates. Adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

(e) Capital Assets

(i) Capital Fund (for civic use)

Capital assets purchased or constructed and work-in-progress are reported as capital expenditures in the period the expenditures are incurred. Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital costs.

Capital assets are recorded in the Capital Fund on the following basis:

Land - At 'actual' value for assessment purposes as determined annually by the B.C. Assessment Authority. Crown land properties beneficially owned by the City are recorded at assessed value.

Waterworks and engineering assets – At cost less accumulated depreciation. Depreciation is provided at varying rates determined by the City Engineer and is reflected as a reduction in the City's equity in capital assets.

Buildings - at cost.

Plant and equipment - at cost.

Artworks and artifacts - at estimated and/or insured values.

(ii) Property Endowment Fund (for sale or lease)

Capital assets are recorded in the Property Endowment Fund on the following basis:

Land - At 'actual' value for assessment purposes as determined annually by the B.C. Assessment Authority. The development costs incurred are charged against equity to reflect their contribution to the increases in the 'actual' value of land.

Buildings - At cost less accumulated depreciation of $42.1 million (2004 - $37.7 million). Depreciation is charged against Equity in Capital Assets on a 5% straight-line basis on the buildings on parking sites, and on a 5% declining balance basis on leased buildings.

Equipment - At cost less accumulated depreciation of $3.1 million (2004 - $2.4 million). Depreciation is calculated on a 30% declining balance basis and is charged to Equity in Capital Assets.

Property subject to sale option - At option price. The land parcel is subject to purchase by the lessee at a minimum value of $8.4 million (with an expiry date of July 31, 2006).

(f) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as an adjustment to the respective fund.

(g) Comparative Figures

Certain of the 2004 figures have been reclassified to conform to current year presentation.

2. CASH AND TEMPORARY INVESTMENTS

Cash includes short-term investments with maturity dates within 90 days of acquisition. Temporary investments are comprised of money market instruments, term deposits, bankers acceptances and federal and provincial bonds with maturity dates greater than 90 days after acquisition. Investments are recorded at cost, adjusted for amortization of premiums or discounts.

	2005	2004
Cash	$ 22,749	$ 8,858
Short-term investments (Maturity date within 90 days)	47,408	57,780
	70,157	66,638
Temporary investments (Maturity date greater than 90 days)	720,430	555,974
Total cash and investments	$ 790,587	$ 622,612
Market Value of total cash and investments	$ 792,355	$ 629,439

3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

	2005	2004
Accounts receivable and accrued interest		
Accrued interest	$ 11,874	$ 9,227
Utility receivables	16,520	11,638
Employee advances	2,848	3,039
Rental and lease receivables	5,247	6,294
Trade and other receivables	30,865	22,138
	67,354	52,336
Allowance for doubtful accounts	(2,541)	(2,241)
	$ 64,813	$ 50,095
Accounts payable and accrued liabilities		
Payroll liabilities	$ 30,847	$ 22,738
Advance deposits and receipts	53,682	50,866
Future obligations (Note 9)	106,818	100,797
Trade and other liabilities	60,024	50,832
	$ 251,371	$ 225,233

4. CAPITAL ASSETS

	Capital Fund	Property Endowment Fund	2005 Total	2004 Total
Land	$ 4,450,238	$ 1,513,270	$ 5,963,508	$ 5,175,827
Buildings	413,683	104,751	518,434	481,888
Property subject to sale option	-	8,365	8,365	8,365
Leasehold interests	25,448	3,510	28,958	28,919
Engineering assets	912,715	-	912,715	866,400
Waterworks	314,067	-	314,067	304,047
Plant, equipment, artworks and artifacts	413,652	2,016	415,668	390,989
	$ 6,529,803	$ 1,631,912	8,161,715	7,256,435
City of Vancouver Public Housing Corporation *			10,646	11,099
Pacific National Exhibition*			8,613	7,052
Total			$ 8,180,974	$ 7,274,586

* At cost less depreciation

5. EQUITY IN CAPITAL ASSETS

	2005	2004
Capital expenditures	$ 224,369	$ 160,568
Debt issued	(124,601)	(103,903)
Debt principal repayments	29,165	26,111
Disposals	(4,609)	(14,274)
Depreciation	(50,162)	(46,702)
Increase in assessed values	740,785	408,162
Capital grants	(3,966)	(1,554)
Lease receivable payments	-	(1,444)
Change in equity in capital assets	810,981	426,964
Balance, beginning of year	6,786,453	6,359,489
Balance, end of year	$ 7,597,434	$ 6,786,453

The opening Equity in Capital Assets figure was restated by an increase of $60.4 million to adjust for the presentation of the mortgage related to the Library Square Project (see Note 10(f)). This was offset by a corresponding decrease in the opening Fund Balance of the Capital Fund.

6. LONG TERM DEBT

Debenture debt is shown at its face amount. The City does not carry debt issued by other organizations.

Maturing In	General *	Local Improvments	Total
2006	$ 137,395	$ 2,479	$ 139,874
2007	39,045	2,252	41,297
2008	30,220	2,056	32,276
2009	171,538	1,840	173,378
2010	34,005	1,644	35,649
Thereafter	214,862	7,823	222,685
Total	627,065	18,094	645,159
Internally held	(61,039)	(18,094)	(79,133)
Net external debt	$ 566,026	$ -	$ 566,026

* General including Waterworks

The rates of interest payable on the principal amount of the debentures range from 3.6% to 10.0% per annum. The weighted average interest rate on total debt to maturity is 4.99%. Total interest paid in 2005 on externally held debt amounted to $26.8 million (2004 - $26.2 million). All debentures are payable in Canadian funds.

Reserve for debt retirement at December 31, 2005 amounted to $167.9 million (2004 - $139.6 million).

7. RESERVES

These amounts are set aside by Council resolution for specific purposes:

	2004	Change During Year	2005
Affordable Housing	$ 4,218	$ 7,308	$ 11,526
Art Gallery Operations	3,574	-	3,574
Capital Facilities	6,561	(4,572)	1,989
Childcare Endowment	4,868	(40)	4,828
Community Amenities	30,764	338	31,102
Cultural Amenity	470	1,355	1,825
Emerging Neighbourhood	4,164	259	4,423
Future Revenue Fund Budgets	25,792	4,486	30,278
Hastings Park	2,583	750	3,333
Library	2,776	898	3,674
Mortgage Debenture Retirement	2,149	3,611	5,760
Olympic Village Trust	-	28,533	28,533
Outstanding Commitments	7,153	2,557	9,710
Pacific National Exhibition	2,249	(77)	2,172
Park Board	2,202	659	2,861
Parking Sites	4,518	(932)	3,586
Plant and Equipment	28,920	(1,441)	27,479
Public Art	2,469	2,308	4,777
Self-insurance	17,003	928	17,931
Solid Waste Capital	61,730	917	62,647
Water and Sewer Utility Rate Stabilization	23,649	2,982	26,631
Other	5,942	245	6,187
	$ 243,754	$ 51,072	$ 294,826

8. FUND BALANCES

	2004 Restated Note 5	Change During Year	2005
Revenue Fund	$ 9,242	$ 1,192	$ 10,434
Capital Fund	(46,863)	98,883	52,020
Capital Financing Fund	170,724	6,884	177,608
Sinking Fund	-	-	-
Property Endowment Fund	88,774	(53,315)	35,459
Harbour Park Development Ltd.	19	(1)	18
Vancouver Civic Development Corp.	8,972	309	9,281
Hastings Institute Inc.	165	19	184
Pacific National Exhibition	(3,072)	702	(2,370)
City of Vancouver Public Housing Corporation	(211)	47	(164)
	227,750	54,720	282,470
Elimination for internally-held debt on consolidation	(55,220)	7,442	(47,778)
	$ 172,530	$ 62,162	$ 234,692

9. OBLIGATIONS TO BE FUNDED FROM FUTURE REVENUE

The following amounts are included in Accounts payable and accrued liabilities:

	2005	2004
Deferred payroll costs	$ 71,692	$ 68,883
Accrued interest on long term debt	13,079	12,407
Landfill closure and post-closure	22,047	19,507
	$ 106,818	$ 100,797

(a) Deferred Payroll Costs

Employees are entitled to earned benefits related to non-vested accumulating sick leave, sick leave gratuity and full vacation entitlement at retirement. Employees may also defer current vacation entitlements. The liability and expense for these post-employment benefits and compensated absences is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

As well, certain employees are entitled to income continuation benefits under long term disability plans. The City recognizes a liability and expense for these post-employment benefits in the period when the event occurs that obligates the City to provide the benefit.

The liabilities reported in 2005 are based on an actuarial valuation as at December 31, 2003 using the following valuation assumptions:

	2005	2004
Discount rate	4.35%	5.00%
Inflation rate	2.00%	2.00%
Rate of compensation increase	3.08% to 5.00%	3.08% to 5.00%

Employee benefit liabilities as at December 31 are as follows:

	2005	2004
Sick leave gratuity	$ 20,547	$ 17,712
Deferred vacation	11,815	12,136
Non-vested accumulating sick leave	22,195	18,040
Long term disability	8,937	9,981
Other post-employment benefits	12,471	10,895
	75,965	68,764
Unamortized actuarial gain (loss)	(4,273)	119
	$ 71,692	$ 68,883

9. OBLIGATIONS TO BE FUNDED FROM FUTURE REVENUE - continued

(a) Deferred Payroll Costs - continued

The continuity of the City's employee benefit liabilities are as follows:

	2005	2004
Beginning of year	$ 68,883	$ 62,800
Current service cost	6,156	8,003
Interest cost	3,503	3,463
Amortization of actuarial gain	(10)	-
Actual benefits paid	(6,840)	(5,383)
End of year	$ 71,692	$ 68,883

The City manages the payment of these future payroll obligations as they come due in the current Operating Budget. The City has also provided funding of $17.1 million ($14.3 million in 2004) in a reserve.

(b) Landfill Closure and Post-Closure Costs

The City has agreed with the Ministry of Environment Lands and Parks to assume certain obligations in order to obtain the Operating Certificate for its landfill site. Those obligations include closure and post-closure liability. The present value of the City's estimated future liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability of $22.0 million (2004 - $19.5 million) represents the portion of the estimated total expenditure recognized as at December 31, 2005. This liability and annual expenditure is calculated based on the ratio of utilization to total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities. The discount rate used in 2005 was 4.35% compared to 5% in 2004 which resulted in an increase in the liability of $2.0 million.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. In 2005, the capacity of the landfill site was reviewed and the revised estimate of the remaining capacity is 19.0 million tonnes, which is 57.5% of the site's total capacity. The landfill site is expected to reach its capacity in 2042. At December 31, 2005, the discounted future cash flows for closure and post-closure cost is estimated at $59.6 million.

In accordance with an agreement between the City and the Greater Vancouver Sewerage and Drainage District, the City is responsible for 87% of the overall liability for closure and post-closure costs. The City has provided a reserve to fund future landfill capital expenditure and waste diversion programs with a balance as at December 31, 2005 of $62.6 million (2004 - $61.7 million).

10. CONTINGENCIES AND COMMITMENTS

(a) Contingent Liability for Debentures Issued by Others

The City is contingently liable in respect of debentures of the Greater Vancouver Water District, the Greater Vancouver Sewerage and Drainage District and the Greater Vancouver Regional District.

(b) Collection of Taxes on Behalf of Other Taxing Authorities

The City is obligated to collect and transmit the tax levies of the following bodies. Such levies are not included in the revenue of the City.

Provincial Government – Schools
Greater Vancouver Regional District
Greater Vancouver Transportation Authority
British Columbia Assessment Authority
Municipal Finance Authority

10. CONTINGENCIES AND COMMITMENTS - Continued

(c) Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the Plan. The Plan is a multi-employer contributory defined benefit pension plan with about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of $789 million. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the surplus to individual employers. The City paid $36.1 million during 2005 (2004 - $34.3 million) for employer contributions to the Plan. The employees' contributions during 2005 amounted to $28.1 million (2004 - $25.5 million).

(d) Contingent Legal Liabilities

As at December 31, 2005, there were various legal claims pending against the City arising in the ordinary course of its operations. The City has made provision for certain uninsured claims in its self-insurance liability reserve, but has made no specific provision for those where the outcome is presently indeterminable.

(e) Property Assessment Appeals

As at December 31, 2005, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes an annual provision against property taxes receivable for the impact of appeals including specific provision where the results of an appeal are reasonably determinable, and general provision for those where the outcome is presently indeterminable.

(f) Mortgage and Lease Agreements

Principal payments on mortgages over the next 5 years and thereafter are as follows:

2006	$ 3,339
2007	3,553
2008	9,448
2009	2,839
2010	2,635
Thereafter	48,421
	$ 70,235

Outstanding mortgages include $52.7 million on the Library Square Project due on January 14, 2021. Interest at 9.875% per annum is compounded semi-annually with monthly repayments of principal and interest. The debentures are secured by a first charge on the land and any proceeds from the sale of the land on which the office building is situated, the office building and any improvements to it including machinery, plant and equipment, and any proceeds of the lease of the office building.

The City has executed a 25-year lease of the Library Square office building with the Federal Government which commenced April 30, 1995. Annual lease payments of $6.7 million will fully offset debenture principal and interest payments. The lease provides options to purchase the office building at the end of the 10th and 20th years and at the end of the lease term. The balance of the lease receivable is $51.7 million (2004 - $53.2 million).

The City has $10.5 million (2004 - $10.8 million) in mortgages payable to Canada Mortgage and Housing Corporation for 5 non-market housing projects. Interest rates range from 4.24 % to 8.0% with maturity dates from February 1, 2006 to December 1, 2027.

(g) Loan Guarantee

The City has guaranteed a $12.0 million line of credit for the Pacific National Exhibition effective January 1, 2006 for a period of one year.

(h) Property Acquisition

On March 9, 2004, Council approved a 4-year agreement for the City to act as a backup to a property acquisition. The agreement commits the City to purchase the property from the original purchaser at the original purchase price of $24.5 million plus up to $5.0 million for site development and remediation costs, if for any reason the original purchaser is unable to proceed with their proposed development.

10. CONTINGENCIES AND COMMITMENTS - Continued

(i) 2nd Avenue RAV Station

The City has entered into an agreement with RAVCO for the design and construction of the 2nd Avenue RAV station for $28.9 million. The City received a contribution of $7.8 million from the Province of British Columbia toward this project. Payment of $1.1 million was made in 2005 with future payments due as follows: 2006 - $6.9 million, 2007 - $13.8 million and 2008 - $7.1 million.

11. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by agreement or statute. The City holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiary. The following trust funds and assets are excluded from the City's financial statements:

	2005	2004
Vancouver Agreement	$7,713	$9,296
Cemetery Perpetual Care	3,125	3,050
Atrium	296	285
General	327	325
	$ 11,461	$ 12,956

The Vancouver Agreement is an urban development agreement between the Governments of Canada, British Columbia and the City to facilitate sustainable economic, social and community development in the City.

12. EXPENDITURES BY OBJECT

	2005	2004
Wages, salaries and benefits	$574,814	$542,991
Contract services	87,912	83,531
Supplies, material and equipment	322,531	260,779
Debt charges	26,813	26,160
	$ 1,012,070	$ 913,461

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AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have audited and reported separately herein on the consolidated financial statements of the City of Vancouver as at and for the year ended December 31, 2005.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the City taken as a whole. The current year's supplementary information included in the following Schedules of Financial Activities of the Revenue Fund, Capital Fund, Capital Financing Fund, Sinking Fund, Property Endowment Fund and Utilities is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Vancouver, Canada

March 31, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative

CITY OF VANCOUVER
Revenue Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2005 Budget	2005	2004
REVENUE			
Property taxes, penalties and interest	$ 489,033	$ 482,323	$ 465,447
Water fees	64,975	67,262	61,412
Solid waste fees	35,671	38,629	36,970
Sewer fees	32,609	34,103	32,951
Other fees, rates and cost recoveries	158,531	174,800	159,468
Revenue sharing, grants and contributions	19,737	17,061	14,077
Investment income	10,850	12,764	11,376
Rental and lease income	18,396	23,340	23,953
	829,802	850,282	805,654
EXPENDITURES			
General government	90,261	80,915	74,605
Police protection	161,107	161,489	153,684
Fire protection	77,557	78,522	75,295
Engineering	69,267	67,832	65,331
Water utility	49,198	47,827	44,495
Solid waste	30,534	35,418	37,484
Sewer utility	49,946	49,634	49,108
Planning and development	57,527	61,528	58,725
Recreation and parks	82,461	84,034	80,642
Community and cultural services	58,302	61,464	57,321
	726,160	728,663	696,690
NET REVENUE	103,642	121,619	108,964
DEBT, TRANSFERS AND OTHER			
Debt principal repayments	(30,359)	(28,874)	(27,734)
Transfers			
Net transfers to other funds	(72,243)	(81,762)	(74,199)
Net transfers to reserves	(1,040)	(15,752)	(20,044)
Change in obligations to be funded from future revenue	-	5,961	14,211
	(103,642)	(120,427)	(107,766)
CHANGE IN FUND BALANCE	-	1,192	1,198
FUND BALANCE			
Beginning of year	9,242	9,242	8,044
End of year	$ 9,242	$ 10,434	$ 9,242

CITY OF VANCOUVER
Capital Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2005	2004 Restated Note 5
REVENUE		
Fees, charges and recoveries	$ 76,894	$ 48,290
Grants and contributions	29,082	704
Property sale	4,190	505
	110,166	49,499
EXPENDITURES		
Capital expenditures		
General government	7,942	6,811
Police protection	3,847	4,728
Fire protection	508	449
Engineering	43,832	46,985
Sewer utility	35,462	24,487
Water utility	20,717	19,021
Solid waste utility	11,039	307
Recreation and parks	24,051	17,521
Community and cultural services	9,165	6,860
	156,563	127,169
NET EXPENDITURES	(46,397)	(77,670)
DEBT AND TRANSFERS		
Debt issued	121,520	101,388
Debt principal repayments	(1,484)	
Transfers		
Net transfers to reserves	(6,690)	(10,322)
Net transfers from other funds	31,934	41,845
	145,280	132,911
CHANGE IN FUND BALANCE	98,883	55,241
FUND BALANCE		
Beginning of year	(46,863)	(102,104)
End of year	$ 52,020	$ (46,863)

CITY OF VANCOUVER
Capital Financing Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2005	2004
REVENUE		
Investment income	$ 5,832	$ 4,935
TRANSFERS		
Net transfer from other funds	30,502	7,171
Net transfer to reserves	(29,450)	(5,902)
	1,052	1,269
CHANGE IN FUND BALANCE	6,884	6,204
FUND BALANCE		
Beginning of year	170,724	164,520
End of year	$ 177,608	$ 170,724

CITY OF VANCOUVER
Sinking Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2005	2004
REVENUE AND EXPENDITURES		
Investment income	$ 8,267	$ 7,139
Administration expenses	72	74
	8,195	7,065
DEBT AND TRANSFERS		
Debt repayments	(36)	(35)
Transfers		
Net transfer from Revenue Fund	26,408	25,330
Net transfer to reserves	(34,567)	(32,911)
	(8,195)	(7,616)
CHANGE IN FUND BALANCE	-	(551)
FUND BALANCE		
Beginning of year	-	551
End of year	$ -	$ -

CITY OF VANCOUVER
Property Endowment Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2005			2004
	Revenue	Expenses	Net	Net
OPERATIONS				
Rental and leases	$ 13,290	$ 4,842	$ 8,448	$ 7,937
Parking	17,017	12,573	4,444	3,939
Water moorage	914	455	459	451
Property sales	1,777	503	1,274	16,724
	$ 32,998	$ 18,373	14,625	29,051
Interest income			1,492	2,765
Miscellaneous income			908	542
			17,025	32,358
Expenses				
Capital expenditures			64,797	30,889
Adminstration and operating			2,492	1,911
			67,289	32,800
NET EXPENDITURES			(50,264)	(442)
TRANSFERS				
Debt prinicipal repayments			(5)	-
Debt issue			3,216	-
Net transfer (to) from reserves			820	(2,205)
Transfer to Revenue Fund			(7,000)	(7,000)
Net transfer (to) from other funds			(82)	6,855
			(3,051)	(2,350)
CHANGE IN FUND BALANCE			(53,315)	(2,792)
FUND BALANCE				
Beginning of year			88,774	91,566
End of year			$ 35,459	$ 88,774

CITY OF VANCOUVER
Utilities
Schedule of Financial Activities *
Years Ended December 31
($000s)

	2005	2004
SOLID WASTE UTILITY		
REVENUE		
Fees and service charges	$ 38,629	$ 36,970
EXPENDITURES AND TRANSFERS		
Garbage collection and disposal	9,507	8,392
Recycling	4,415	4,729
Composting	3,733	3,479
Commercial	14,565	12,723
Management and solid waste levy	658	681
Post closure costs	2,540	7,480
	35,418	37,484
Transfers from other funds	(3,614)	(7,732)
Transfer to reserves	6,825	7,218
	$ 38,629	$ 36,970
WATER UTILITY		
REVENUE		
Fees and service charges	$ 67,262	$ 61,412
EXPENDITURES AND TRANSFERS		
Purchase of water	32,206	29,289
Water debt charges	8,696	8,472
Operations	6,924	6,734
	47,826	44,495
Debt principal repayments	7,706	6,619
Transfer to Sinking Fund	7,404	7,135
Transfer to reserves	4,326	3,163
	$ 67,262	$ 61,412
SEWER UTILITY		
REVENUE		
Fees and service charges	$ 34,103	$ 32,951
Contribution from property taxes	33,729	32,341
	$ 67,832	$ 65,292
EXPENDITURES AND TRANSFERS		
Contribution to Joint Sewerage Board	36,552	36,845
Sewer debt charges	7,343	7,065
Operations	5,739	5,198
	49,634	49,108
Debt principal repayments	7,690	6,188
Transfer to Sinking Fund	5,663	5,462
Transfer to reserves	4,845	4,534
	$ 67,832	$ 65,292

* These amounts have been reported as part of the Revenue Fund Schedule of Financial Activities

SUPPLEMENTARY

FINANCIAL

INFORMATION

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AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have reported to the Mayor and Members of Council on our examination for the purpose of expressing an opinion on the consolidated financial statements of the City of Vancouver for the year ended December 31, 2005.

We do not express an opinion on the following management prepared schedules since our examination did not extend to the detailed information therein.

KPMG LLP

Chartered Accountants

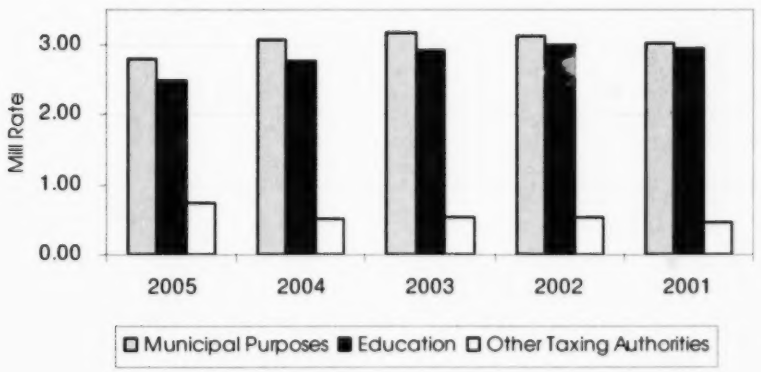
Vancouver, Canada
March 31, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2005	2004	2003	2002	2001
Property Assessment ($000s)					
Rateable property general purposes	94,494,731	80,246,519	72,843,427	67,522,799	65,917,550
Tax Rates – Rate per $1,000 of Assessment					
Residential					
Municipal purposes	2.78956	3.06186	3.17221	3.11743	3.01093
Education	2.47345	2.75856	2.91461	2.98026	2.94593
Other taxing authorities	0.72621	0.51531	0.52729	0.52335	0.44698
Total Residential	5.98922	6.33573	6.61411	6.62104	6.40384
Business/Other					
Municipal purposes	16.44104	16.75464	16.36674	15.48259	14.82695
Education	10.16357	10.35432	10.06992	9.92035	9.87587
Other taxing authorities	2.79649	2.28976	2.28677	2.28468	2.09721
Total Business/Other	29.40110	29.39872	28.72343	27.68762	26.80003
Major Industrial					
Municipal purposes	28.31661	28.58468	27.71701	28.13435	29.72034
Education	12.50000	12.50000	12.50000	12.50000	12.50000
Other taxing authorities	3.81372	3.18900	3.27333	3.35615	3.13486
Total Major Industrial	44.63033	44.27368	43.49034	43.99050	45.35520
Light Industrial					
Municipal purposes	15.52713	16.02039	16.09242	15.45070	14.86333
Education	9.60000	9.90000	9.90000	9.90000	9.90000
Other taxing authorities	3.57582	2.94250	3.00313	3.03205	2.78146
Total Light Industrial	28.70295	28.86289	28.99555	28.38275	27.54479
Total Utilities	52.27359	51.26064	50.80137	49.64316	48.06845
Total Recreational/Non-Profit	7.69044	7.86989	8.05780	8.13357	7.97683
Total Farm – All Purposes	9.99004	10.16989	10.35798	10.43470	10.30773

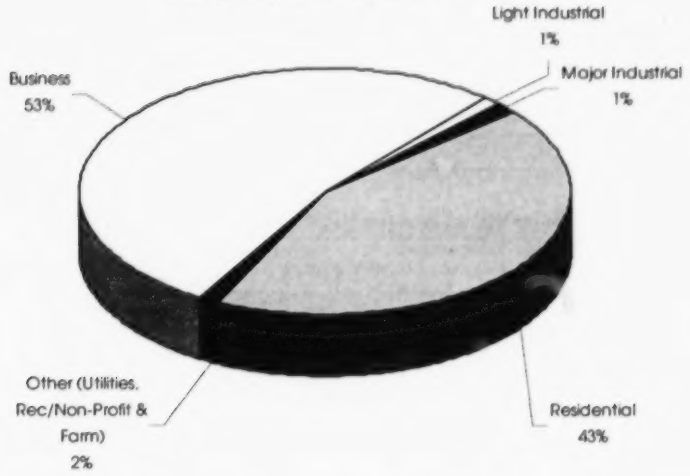
Residential Tax Rate



FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2005	2004	2003	2002	2001
Population *	583,300	579,700	576,200	572,100	569,500
Property Tax Revenue by Property Class (%)					
Residential - Class 1	43.5	43.3	42.9	42.2	41.8
Business - Class 6	52.7	52.8	53.3	53.8	54.2
Major industrial - Class 4	1.3	1.4	1.2	1.3	1.3
Light industrial - Class 5	1.0	1.0	1.1	1.1	1.0
Other (Utilities, Rec/Non-Profit and Farm)	1.5	1.5	1.5	1.6	1.7
Total	100.0	100.0	100.0	100.0	100.0

Property Tax by Class



Property Taxation - Levy and Collections					
Total tax levy (all purposes) ($000s)	951,769	886,391	853,460	815,877	783,315
Total tax arrears outstanding ($000s)	21,254	25,253	34,386	35,090	38,333
% of current collections to current levy	98.45	98.51	97.74	97.82	97.50
% of total collections to current levy	100.40	101.22	100.32	100.82	100.56

*Source: Population Section, B.C. Stats
Ministry of Management Services, Government of British Columbia

NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES ($000s)
Years Ended December 31

The City is required to collect taxes on behalf of and transfer these amounts to the government agencies listed below:

	2005	2004
Taxes collected:		
Property and business taxes	$ 887,915	$ 826,927
Payment in lieu of taxes	29,220	28,391
Hotel tax	-	1,140
Local improvement levies	3,884	4,040
	921,019	860,498
Less taxes collected on behalf of:		
Province of British Columbia - School Taxes	342,044	328,650
Greater Vancouver Transportation Authority	73,351	43,875
B.C. Assessment Authority	12,090	11,594
Greater Vancouver Regional District	11,186	10,911
Municipal Finance Authority	25	21
	438,696	395,051
NET TAXES - MUNICIPAL PURPOSES	$ 482,323	$ 465,447

STATEMENT OF TAX RECEIPTS AND PROPERTY TAXES RECEIVABLE ($000s)
Years Ended December 31

	2005	2004
Analysis of Tax Receipts and Receivables		
Balance, before allowance for tax write-offs, beginning of year	$ 25,253	$ 34,386
Add: Interest and adjustments (net)	61	1,011
	25,314	35,397
Less: Receipts	(18,578)	(23,932)
Outstanding - prior years	6,736	11,465
Current tax levy including utility and other charges	951,769	886,391
Less : Receipts	(937,899)	(873,253)
Current arrears	13,870	13,138
Add: Penalties on current arrears	648	650
Outstanding - current year	14,518	13,788
Balance, before allowance for tax write-offs, end of year	$ 21,254	$ 25,253
Analysis of Property Taxes Receivable by Year		
Current year	$ 14,518	$ 13,788
Prior year	4,320	6,549
Prior 2 year	2,416	4,916
	21,254	25,253
Less: allowance for tax write-offs	(8,863)	(5,363)
Balance, after allowance for tax write-offs, end of year	$ 12,391	$ 19,890

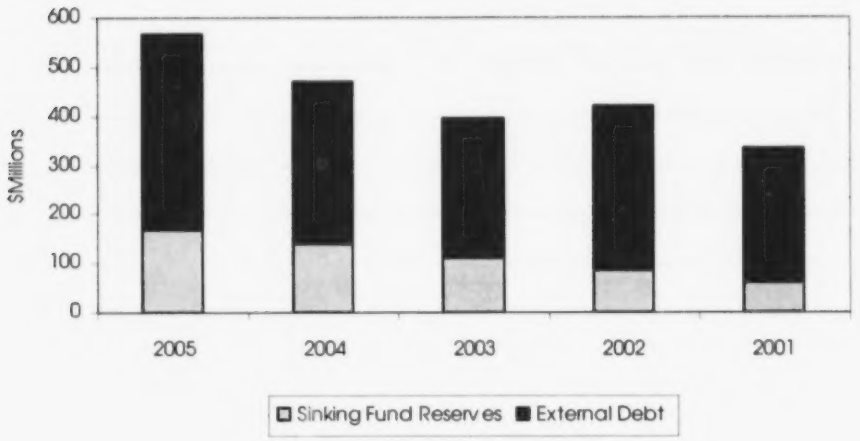
REVENUE FUND – OTHER FEES, RATES AND RECOVERIES ($000s)
Years Ended December 31

	2005 Budget	2005	2004
Permits and licences			
Business	$ 11,200	$ 11,174	$ 11,012
Dog	612	611	469
False Alarm Reduction Programme	1,350	1,156	1,130
Other	1,684	1,522	1,571
	14,846	14,463	14,182
Municipal by-law fines	9,994	10,830	9,867
Service and inspection fees			
Development permits	5,588	5,402	4,880
Building permits	6,200	7,004	6,752
Plumbing inspection	3,900	4,195	3,712
Electrical inspection	2,800	3,087	2,650
Other	7,640	8,054	7,641
	26,128	27,742	25,635
On street parking	22,625	23,675	21,568
Sundry fees and services			
Recovery - Greater Vancouver Transit Authority	3,240	3,478	3,239
Provincial school tax administration fee	315	339	326
Utility company access	287	295	276
Other	1,236	1,130	1,590
	5,078	5,242	5,431
Departmental revenues			
Parks and recreation - general operations	32,993	34,518	32,767
Britannia Community Services	739	682	774
Libraries	4,260	6,315	5,308
Civic theatres	5,958	6,288	5,578
General government	2,063	5,302	4,578
Fire	6,553	7,033	6,527
Police	10,590	14,423	10,956
Engineering	8,670	5,441	4,543
Community services	8,034	12,846	11,754
	79,860	92,848	82,785
TOTAL	$ 158,531	$ 174,800	$ 159,468

FIVE YEAR STATISTICAL REVIEW – DEBT AND OTHER
Years Ended December 31

	2005	2004	2003	2002	2001
Long Term Debt (000s)					
Debenture debt outstanding	$ 645,159	$ 552,512	$ 477,509	$ 546,072	$ 510,898
Less: Internally held debt	(79,133)	(80,180)	(81,373)	(126,846)	(176,965)
Externally held debt	566,026	472,332	396,136	419,226	333,933
Sinking Fund reserves	167,865	139,630	112,748	87,116	62,680
Net externally held debt	$ 398,161	$ 332,702	$ 283,388	$ 332,110	$ 271,253
Debt per capita (externally held)	$ 970.44	$ 814.76	$ 687.47	$ 732.77	$ 586.39

Long Term Debt - External



($000s)					
Capital expenditures	156,563	127,169	147,042	149,374	110,908
Internally restricted reserves	294,826	243,754	205,281	196,655	182,062

CHANGES IN DEBENTURE DEBT OUTSTANDING ($000s)
Year Ended December 31, 2005

	Externally Held	Internally Held	Total
Balance, beginning of year	$ 472,332	$ 80,180	$ 552,512
Add: Debentures issued during 2004	120,000	-	120,000
Local improvements	-	1,520	1,520
	592,332	81,700	674,032
Less: Maturities			
General and water	26,306	-	26,306
Local improvements	-	2,567	2,567
	26,306	2,567	28,873
Balance, end of year	$ 566,026	$ 79,133	$ 645,159

SCHEDULE OF GENERAL DEBT ($000s)
Year Ended December 31, 2005

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
7506	January 11, 2006	7.500	10		
	Communications			$1,200	$1,103
	Emergency operations			4,834	4,443
	Parks			5,090	4,679
	Roads, walks streets and lanes			39,260	36,087
	Sewers			20,267	18,629
	Waterworks			29,349	26,977
				100,000	91,918
7811	October 31, 2007	5.500 to 5.750	10		
	Communications			455	-
	Emergency operations			66	-
	Fire protection			2,158	-
	Infrastructure			611	-
	Parks			4,555	-
	Pedestrian/cylcling facilities			2,342	-
	Sewers			5,059	-
	Street lighting			617	-
	Waterworks			3,660	-
				19,523	-
8042*	July 12, 2009	5.900	10		
	Parks			5,000	2,768
	Roads, walks streets and lanes			15,000	8,303
	Sewers			20,000	11,070
	Waterworks			20,000	11,070
				60,000	33,211
8077	October 7, 2009	6.000	10		
	Roads, walks streets and lanes			46,533	25,457
	Sewers			11,417	6,246
	Waterworks			22,050	12,063
				80,000	43,766
8269*	December 14, 2010	6.000	10		
	Roads, walks streets and lanes			1,038	457
8295	February 21, 2011	5.850	10		
	Infrastructure			2,238	800
	Parks			13,858	4,952
	Pedestrian/cylcling facilities			1,678	600
	Public works/fire facilities			10,600	3,788
	Roads, walks streets and lanes			2,382	851
	Sewers			17,015	6,081
	Street lighting/communication/undergrounding			857	306
	Street lighting/communications			4,476	1,600
	Street lighting			2,384	852
	Transit /safety improvements			6,162	2,202
	Waterworks			18,350	6,558
				80,000	28,590
			Carried Forward	$340,561	$197,942

* Held Internally

SCHEDULE OF GENERAL DEBT ($000s)
Year Ended December 31, 2005

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
			Carried Forward	$340,561	$197,942
8460	April 17, 2012	3.500	10		
	Local area improvement			4,469	-
	Parks			5,261	-
	Pedestrian/cylcling facilities			3,006	-
	Public works/fire facilities			5,449	-
	Sewers			22,547	-
	Street lighting			4,885	-
	Street/bridge infrastructure			829	-
	Transit /safety improvements			6,163	-
	Waterworks			22,547	-
				75,156	-
8808	March 16, 2014	2.250 to 4.650	10		
	Civic facilities			457	-
	Local area improvement			5,600	-
	Parks			8,405	-
	Pedestrian/cylcling facilities			5,267	-
	Public works/fire facilities			1,030	-
	Sewers			29,285	-
	Street lighting			3,820	-
	Street/bridge infrastructure			2,176	-
	Transit /safety improvements			7,586	-
	Waterworks			27,715	-
				91,341	-
9115	October 06, 2015	3.150 to 4.100			
	Bridges/tunnels			2,700	-
	Community centre facilities			6,000	-
	Infrastructure			6,932	-
	Libraries			4,910	-
	Local area inprovement			6,729	-
	Miscellaneous			250	-
	Multi-purpose centres			2,360	-
	Neighbourhood houses			2,340	-
	Parks			15,090	-
	Pedestrian/cycling facilities			6,370	-
	Public safety/Police			600	-
	Sewers			30,720	-
	Sports facilities			1,100	-
	Street lighting/communications			3,883	-
	Train stations			5,000	-
	Transit/safety improvements			3,874	-
	Waterworks			19,707	-
	Yards			1,435	-
				120,000	-
4221	Feburary 1, 2006	5.250	40		
	Waterworks			1	-
4236	May 1, 2006	5.375			
	Waterworks			6	-
		Total		$627,065	$197,942

SCHEDULE OF DEBT ($000s)
Year Ended December 31, 2005

LOCAL IMPROVEMENT - Property Owners' Share

Bylaw	Maturity Date	Purpose	Rate	Term (Yr)	Debt Balance
6848	June 19 2006	Lane paving, speed ramps, sidewalks & curbs	10.000	15	349
6849	June 19 2006	Beautification	10.000	15	36
6990	June 17 2007	Lane paving, speed ramps, sidewalks & curbs	9.500	15	544
6991	June 17 2007	Beautification	9.500	15	69
7129	June 23 2008	Lane paving, speed ramps, sidewalks & curbs	9.000	15	911
7312	June 22 2009	Lane paving, speed ramps, sidewalks & curbs	7.000	15	845
7313	June 22 2009	Beautification	7.000	15	217
7315	June 22 2009	Underground wiring	7.000	15	20
7446	June 21 2010	Lane paving, speed ramps, sidewalks & curbs	9.500	15	910
7447	June 21 2010	Underground wiring	9.500	15	44
7584	June 26 2011	Lane paving, speed ramps, sidewalks & curbs	7.500	15	1,152
7758	June 25 2012	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,336
7759	June 25 2012	Beautification	7.000	15	98
7912	June 24 2013	Beautification	6.000	15	138
7914	June 24 2008	Street lighting	6.000	10	4
7915	June 24 2013	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,471
8037	June 23 2014	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,606
8204	June 21 2015	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,214
8206	June 21 2010	Street lighting	7.000	10	15
8207	June 21 2015	Beautification	7.000	15	90
8208	June 21 2010	Granville Street beautification	7.000	10	102
8209	June 21 2015	Beautification	7.000	15	20
8501	June 26 2017	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,703
8502	June 26 2007	Lane lighting	6.000	5	21
8503	June 26 2012	Street lighting	6.000	10	8
8504	June 26 2017	Beautification	6.000	15	194
8505	June 26 2007	Traffic circle	6.000	5	5
8506	June 25 2017	Underground wiring	6.000	15	179
8693	June 27 2018	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,889
8694	June 25 2018	Lane lighting	6.000	15	7
8695	June 25 2018	Street Lighting	6.000	15	3
8696	June 25 2018	Beautification	6.000	15	49
8871	June 23 2019	Lane paving, speed ramps, sidewalks & curbs	5.750	15	1,312
8872	June 23 2009	Traffic circle	5.750	5	2
8873	June 23 2009	Lane lighting	5.750	5	11
9063	June 29 2020	Lane paving, speed ramps, sidewalks & curbs	5.750	5	1,513
9064	June 29 2010	Lane Lighting	5.750	15	7
					$18,094

Held Internally

DEBT INTEREST RATES ($000s)
Year Ended December 31, 2005

Interest Rate	General (including Waterworks)	Local Improvement	Total
10.000	$ -	$ 385	$ 385
9.500	-	1,567	1,567
9.000	-	911	911
7.500	100,000	1,152	101,152
7.000	-	3,956	3,956
6.125	24,610	-	24,610
6.000	92,302	7,278	99,580
5.900	60,000	-	60,000
5.875	10,638	-	10,638
5.850	80,000	-	80,000
5.750	29,583	2,845	32,428
5.500	9,536	-	9,536
5.375	6	-	6
5.250	9,050	-	9,050
4.650	11,827	-	11,827
4.500	11,314	-	11,314
4.350	10,842	-	10,842
4.150	10,405	-	10,405
4.100	14,226	-	14,226
4.050	13,678	-	13,678
3.950	23,163	-	23,163
3.850	12,647	-	12,647
3.700	2,001	-	2,001
3.650	9,657	-	9,657
3.600	1,924	-	1,924
3.450	11,243	-	11,243
3.350	10,810	-	10,810
3.300	9,350	-	9,350
3.250	10,395	-	10,395
3.150	9,995	-	9,995
2.950	9,080	-	9,080
2.500	8,855	-	8,855
3.700	10,159	-	10,159
3.600	9,769	-	9,769
	$ 627,065	$ 18,094	$ 645,159

FUTURE PRINCIPAL AND INTEREST PAYMENTS ON DEBT ($000s)
Year Ended December 31, 2005

Total Debt (Internal and External)

	General			Waterworks			Local Improvements Property Owners' Share			Total General & Waterworks and Local Improvements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	$98,416	$6,479	$104,895	$38,979	$2,626	$41,605	$2,479	$196	$2,675	$139,874	$9,301	$149,175
2007	28,994	1,289	30,283	10,051	465	10,516	2,252	169	2,421	41,297	1,923	43,220
2008	22,590	954	23,544	7,630	340	7,970	2,056	148	2,204	32,276	1,442	33,718
2009	121,520	6,877	128,397	50,018	2,875	52,893	1,840	127	1,967	173,378	9,879	183,257
2010	25,668	2,998	28,666	8,337	942	9,279	1,644	113	1,757	35,649	4,053	39,702
2011-2015	164,844	5,987	170,831	50,018	1,835	51,853	5,664	353	6,017	220,526	8,175	228,701
Thereafter	-	-	-	-	-	-	2,159	127	2,286	2,159	127	2,286
	$462,032	$24,584	$486,616	$165,033	$9,083	$174,116	$18,094	$1,233	$19,327	$645,159	$34,900	$680,059

External Debt Only

	General			Waterworks			Total General & Waterworks		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	$98,416	$6,479	$104,895	$38,979	$2,626	$41,605	$137,395	$9,105	$146,500
2007	28,994	1,289	30,283	10,051	465	10,516	39,045	1,754	40,799
2008	22,590	954	23,544	7,630	340	7,970	30,220	1,294	31,514
2009	81,520	4,517	86,037	30,018	1,695	31,713	111,538	6,212	117,750
2010	24,629	2,936	27,565	8,337	942	9,279	32,966	3,878	36,844
2011-2015	164,844	5,987	170,831	50,018	1,835	51,853	214,862	7,822	222,684
	$420,993	$22,162	$443,155	$145,033	$7,903	$152,936	$566,026	$30,065	$596,091

OUTSTANDING BORROWING AUTHORITY
Year Ended December 31, 2005

General borrowing is approved by the electors. Sewer and Water borrowing is approved by Council.

	Amount Authorized	Debentures Issued to Dec 31, 2005	Balance
General (excluding Sewer and Water)			
2003 - 2005	$ 116,790	$ 97,265	$ 19,525
2006 - 2008	170,570	-	170,570
	$ 287,360	$ 97,265	$ 190,095
Sewer and Water			
2003 - 2005	$ 104,750	$ 104,750	$ -
2006 - 2008	129,210	-	129,210
	$ 233,960	$ 104,750	$ 129,210
Total General, Water and Sewer			
2003 - 2005	$ 221,540	$ 202,015	$ 19,525
2006 - 2008	299,780	-	299,780
	$ 521,320	$ 202,015	$ 319,305

Land Area (hectares)	11,396	
Public Schools		
Schools and annexes	109	
Pupils	56,867	
Teachers (F.T.E.)	3,184	
Waterworks		
Annual consumption (cubic metres)	129.0	
Number of services - metered	13,868	
- flat rate	80,804	
Total number of services	94,672	
Kilometres of water main	1,437	
Parks and Recreation Facilities		
Public Parks	200	(1,297.9 hectares)
Beaches	11	
Ice Rinks	8	
Swimming Pools	15	
Golf Courses	6	
Community Centres	23	
Tennis Courts	183	
Other Recreational facilites	9	

	2005	2004	2003	2002	2001
Value of Building Permits ($000s)	1,574,061	1,640,663	1,062,780	1,300,141	1,119,043
Roads and Sewers (kilometres)					
Street pavements	1,249	1,245	1,223	1,219	1,215
Lane pavements	678	668	592	588	582
Cement concrete sidewalks	2,164	2,159	2,058	2,057	2,055
Sewers	1,999	1,984	1,974	1,962	1,951

CITY OF VANCOUVER

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